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The Railways and Prosperity

ADDRESS BY
WARREN G. HARDING

At the Annual Dinner of the
Railway Business Association

December 10, 1914

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The Railways and Prosperity

Address by

WARREN G. HARDING

United States Senator-elect from Ohio

Delivered at the Sixth Annual Dinner of the Railway Business Association, the national association of manufacturers of railway materials, equipment and supplies, at the Waldorf-Astoria Hotel, New York, December 10, 1914

MY only participation in railroad-ing was when, at that early age when nearly every normal boy manifests some of the attributes of a barbarian, I used to join a gang of youngsters at the village of Caledonia, mount a west-bound train of flat cars while the engine was taking on water, ride two miles west of town for the joy of a stolen ride, then ten of us would set brakes simultaneously and slow down the train, dismount and escape before the "cussing" engineer had determined what was the matter. It was great sport for a few days, and I thus early developed a qualification in boyhood for the making of a politician with a perfectly natural bent to hamper and harass railway operation. There is an abiding conviction of thirty years' standing, however, that I would not have the pleasure of addressing you to-night had not the trainman, who picked me for an example, stumbled

in his pursuit of me on the last night that our gang indulged its joy-riding propensity.

EARLY RAILWAY PROMOTION

As a newspaper publisher, I can boast some knowledge of railway promotion and construction, a sort of a recording knowledge of the good old days in Ohio when the acquirement of a railroad marked an epoch to the ambitious community, and was heralded as a great and glorious accomplishment, as, in truth, it was. The newspaper workers were a part of the system of promotion, fostering friendly public sentiment, and shaming the tightwads who did not shell out in their donations in accordance with their proclamations of local pride.

I can recall that our office, approximately thirty years ago, was a sort of civic center, when Colonel Albert E. Boone, a typical promoter, as strong

in the faith as he was short in financial resources, came into our community, proclaiming the great Black Diamond railway, to hook up with the then Chicago & Atlantic, now the Chicago & Erie, and thus put the coal fields of southeastern Ohio and West Virginia on a new route with the Westward Star of Empire. The colonel or the Blackie Daw in his combination furnished us with the ammunition and our office did the firing, and the people of my town subscribed a hundred thousand dollars to be paid on the arrival of the first train over the Zanesville and Marion division. That train has not come in yet. Our people believed in the enterprise and rejoiced over the proposed new highway of trade, but were so practical in their endeavors that in putting that subscription in escrow they put the promotion on a stalling grade. But we had given new proof of popular readiness to contribute to railway development, changing only the plan of remitting in advance by bargaining for payment C. O. D.

That was probably one of the last endeavors in Ohio in steam railway promotion by popular subscription, but the adoption of the scheme in electric line promotion is still much in vogue, though there is perceptible diminution in the practice, temporarily, until the public policy in dealing with public utilities points a safe way for investment in transportation.

CONSTRUCTION DAYS

I have cited this earlier experience to recall the intense public interest of former days in railway development,

because my home city was like a thousand others. It was the natural attitude of the public, not only to rejoice in railway development, but willingly contribute generously thereto. Why, my own city contributed with an open hand toward the construction of the Chicago and Atlantic; it subscribed liberally, and with profit, to the building of the Hocking Valley, and gave beyond present day realization toward the building of the old Bee line, the first of railway lines to put us on a highway of commerce. That was in the constructive days. That was when railways generally were looked upon as an agency of public good and the people were assisting them in behalf of the common weal. That was before the politicians began the profession of hammering them for political gain. That was when we were seeking, and before we developed the American inclination to be of scant appreciation. That was prior to our present day conviction that lack of realization and appreciation is the greatest weakness of a people popularly governed.

ENTHUSIASM EBBED

Perhaps our "hot or cold" affections for our transportation lines are due to inherent traits in human nature. We are seemingly eager to seek that which we have not and find excessive fault with that which we possess. The enthusiasm over our railway acquirement ebbed when transportation gave us an era of development unmatched in all the progress of mankind. Older civilizations builded railways after our fashioning, but they had less areas and

less natural resources, and more accessible water routes—long established, and a less primitive stage-setting for the marvel of transformation. Thus it was that the magic of transportation wrought the astonishing American development. No sooner was the triumph recorded than sentiment veered, and hostility to railroads became a gospel of wide popularity.

RAILWAYS LINKED WITH PROSPERITY

But popular sentiment eventually gets right, and I can say to-night that the intelligent public thought of this land of ours is demanding just treatment of the American railroads.

Amid all the clamor and appeal, two thoughts are indisputably established—the efficiency of American railways is absolutely essential to American agricultural, mining and manufacturing industries, which are the component parts of our boasted commerce, and the good fortunes of the American railways and the American people are indissolubly linked together. The present distress of our industrial and commercial interests, happily showing some signs of relief, has its reflex in the distress of our railroads, or if you prefer it differently expressed, the distress of our American railroads is very evident in the halted condition of business throughout the land. This is not to say that the ebb-tide of American good fortune is wholly due to the distressed conditions of our railroads, but the fortunes of the transportation lines and our people are so indissolubly linked together that the one can not be

injuriously affected without finding its reflex in the other.

FOR FAIRNESS AND JUSTICE

The argument never has strongly appealed to me that we ought to prosper our railroads for the specific purpose of promoting general prosperity. It seems to me more important to prosper our transportation lines as a simple matter of fairness and justice to this important single agency in our modern lives. The popular mind has been slow to grasp the surpassing importance of railway transportation.

Ten thousand captains of industry, notably in the interior, have realized that railway facilities made their enterprises possible and profitable, but the toiler in the ranks has taken it all as a matter of course. The interior farmer, far from water routes, has seen the market brought to his door almost, and has been a beneficiary of the elevation of farming from a mere struggle for subsistence to a conquest for accomplishment, but has been unmindful of the contributing agency which did so much to open the way.

DEPENDENCE OF AGRICULTURE

It was my fortune to spend several weeks in Kansas, a few years ago, when that turbulent garden spot was seething with the unrest of good fortune. Nearly every agriculturist and many a villager had a "knock" for the Santa Fe system, but it was my disinterested and unprejudiced conviction that the ramifying lines of the Santa Fe railroad had as much to do with

making Kansas a garden of growing wealth as did the fortunate farmers who made the soil yield its mighty harvests of corn, wheat and alfalfa. Nature had bestowed its bounty, and the Kansas farmers were effective toilers as well as politicians, but the steel rail was the requisite to the profitable market.

TRANSFORMATION OF FLORIDA

I have witnessed a still more marvelous transformation, beneath the magic wand of the steel rail, directed by a master hand. Less than twenty-five years ago I began visiting Florida, when that land of sunshine was still a wilderness for the most part, when its hammocks and swamps were as wild and primitive as the wandering Indians knew them, with romantic borders here and there, following the lines of primitive transportation by water. Birds of the air, fowls of the sea and beasts of the forest reveled in such a fairyland that man had reason to envy them, but civilization left endless stretches almost untouched, except where here and there some man with a love of wilderness, in a genial clime, pitched a rude habitation. Down the lagoons of the East coast were gardens needing only human effort to make them blossom and bear in bounteous willingness, and there were acres eager to scatter the redolence of fruitful groves, with stretches of paradise for the traveler seeking recreation.

Nature had done its part, and man was awakening to appreciation when the late Henry M. Flagler, attracted to

the playground at St. Augustine, caught the possibilities with his discerning eye, and began with railway construction the development of the East coast, while Henry B. Plant took up the development of the gulf coast. Transportation wrought the miracle of transformation. The playground was extended, but the surpassing accomplishment was the planting of farm, garden and grove, the harvest of which all of this great people, east of the Rockies, is consuming, and Florida sunshine is turned to profitable production and wider enjoyment. Meanwhile we extended the areas of our real civilization, and turned to new usefulness the bounties of creation.

The glory and honor are largely Henry M. Flagler's, who gave the transforming touch of railway transportation. His work gave real value to areas of sand so seemingly worthless prior to his pioneering that one would not accept it as a gift and pay for recording the deed. To-day the same acres rate in values far into the thousands. Mr. Flagler did not do it all, for the toil of man was required to develop, but he brought the market over ties and rails, and gave the incentive and promise of reward.

REASONS FOR RESENTMENT

I can recall full well how the railway extensions were heralded with glad acclaim, and I have heard, since then, the inevitable reverse which comes in the loud complain of those who quickly forget the agency which made possible the astonishing shift from wilderness to the glorious gar-

den, where sunshine is shaped into profitable products of commerce.

This reversal of popular sentiment toward railroads in general is not wholly without reason. There had been profligacy of management, excessive profits in promotion, piracy in financing, along with unrighteous discrimination and contempt for popular opinion, more or less heralded in the press. These were seized upon by politicians, more eager to profit in the proclamation thereof than to correct the abuse, until there was good reason for popular suspicion and unrest. Hateful as these things are in public estimate, there was some extenuation. Many a railway was constructed for the profit in promotion, else it had never been projected. In this fact lies the explanation of much of our development. Builders were not content to wait for the profits of carrying, because the awakened production and carrying thereof had to come of too slow a process.

It is fair to say, however, that in most cases the fictitious values have become very real in the processes of attending growth. The piracy of high financing—watered stock and excessive bonding—is not to be so readily excused, and is, in fact, mainly responsible for the hostile frame of the public mind. Much of the predatory plundering attended the evolution of lines into systems, an accomplishment which none of us would undo, because the advent of systems marked a higher stage of capacity for public service, and our people must not let their righteous hostility to this plundering blind them to the progress made. Hateful as it was, it nevertheless was

a practice of the period, partly to deserve our tolerance, because of improved capacity for service.

One thing is certain, though our people cry out against the great predatory captains who dashed by in their special cars, the lumbering trains of honest investment have traversed the same rails, and the honest endeavor and best thought and best energies of American life have reared this American railway giant and furnished us the best and cheapest rail transportation in the world. There must be—there is—a righteous mean between plundering on the one hand and popular assault on the other, and the problem of the day is to find that righteous mean, and give to our railroads our boasted square deal.

NEW ERA HAS COME

I believe, in all sincerity, that the day of plundering financing has passed. I should like to proclaim, in the same breath, the passing of railroad baiting on the part of press and politicians, who have been less inspired by public good than by personal profits and political gain. It has been a great stunt to hammer the railroads.

Fortunately the drift is toward the sober, second thought, and there is a realization that these vital factors in making for profitable production and general good fortune are entitled to just treatment. There is the conviction that when governmental regulation leads to paralysis, we require less of it—that is to say, less of doctoring in order to give the patient a chance. It can not be disputed—there has been an excess of commissioning, and our

people have not stopped to count the public cost of the practice, nor to measure its hampering influence. Do not mistake my meaning. I believe, most heartily, in the government regulation of public utilities, but it must be righteous and understanding regulation. The best railway knowledge in all the land ought to light the way.

MENACE OF GOVERNMENT OWNERSHIP

Public service ought to be the impelling purpose, unheeding of public clamor. There can be a species of excessive regulation which will lead to but one logical result—and that is government ownership. It is the logical outcome of the present drift, it is the only remedy if we are to require a service at rates inadequate to meet fixed charges and provide means for maintenance and needed improvements. The answer to this statement is readily anticipated. Ten thousand tongues are ready to cry out about over-capitalization in stocks and bonds. It is true, in the main, but the over-capitalization comes of a previous era. It comes of the evolution into systems, and the crime of over-issue does not justify the wreck of the surpassing structure of American rail-roading.

Our problem is not of yesterday, it is of to-day and the morrow. It is up to fair-minded American intelligence to deal with the rail transportation problem as it exists to-day, recognizing that increased cost in transportation is quite as natural as increased cost in labor and taxes. Transportation can not be eliminated from the

cost of a single article of commerce, in the complexity of our modern life, nor escape the upward trend of cost.

ENTITLED TO RATE ADVANCE

I believe it is the opinion of ninety-nine of every hundred thinking people that the railways of the country are entitled to an increase of rates, and would gladly see it granted. The thinking citizen not only desires that the railroads shall be able to exist in dull times, and earn to meet their obligations, but they are entitled to a rate which will permit them to earn a profit in fortunate years, which may be turned to betterment when the lull comes.

A good many years ago a son of Israel was sold into Egypt and became famous and highly trusted for his interpretation of Potiphar's dreams. Some of you have heard of him, but I fear you were more interested in the provincial scandal which recited the infatuation of Potiphar's wife than in his more noteworthy accomplishments. However that may be, I recall that Joseph read the master's dream and proclaimed the warning to lay by an abundant store during the seven fat years, which were then beginning, in order to be prepared for the seven lean years which were to follow them. And Egypt prospered wonderfully thereby, incidentally recording the first corner on the corn market ever written in sacred or profane history.

FAT YEARS AND LEAN

At any rate the wisdom of Joseph holds good to this day, and my application of the story to American

railways is that they ought to be able to earn enough in the fat years to be prepared to carry on their vast improvements in the lean years which inevitably come. Under our present system of reduced and insufficient earnings, along with increased cost of operation, there are no marked railway betterments except in the high tide of earnings, when cost is highest and improvements are hampered by traffic operations.

TO PROMOTE STABILITY

We ought to reverse this order, and provide an ample earning in good times to enable extensive betterment to be made in the dull period, all of which would tend to better service in the days of the revival, and, meanwhile, the expenditure for betterments would relieve the general dullness amid such conditions as we complain of to-day.

This thought grows upon me when I am reminded that billions are said to be required to be expended to bring our railroads up to the facility for efficient service which managers themselves believe to be the due of our people. I have heard railway men say that they gladly would be making expenditures now, but they cannot borrow and do not earn sufficiently. Through agitation and restriction there has come impaired credit, until there is a threatened collapse of the railroad edifice, and it's up to American fairness to make the restoration and provide for maintained eminence. These items of maintenance and betterments have been overlooked by the political exhorters who have baited the

railroads to catch unthinking popular favor.

COST OF PROGRESS

The advance from the dinkey wood-burner, which I helped to wood-up as a boy willingly while Dad's wood-pile needed attention, to the great locomotive of to-day, with heavier rails, and the thousand conceits of modern genius, which add to safety and enhance the service, has involved costs of supersedure beyond all comprehension. When we come to a physical valuation, if we must commit that colossal and costly folly, I wonder where the genius will be found who can apply apt figures to cost and worth of experience and evolution. The agitating politician makes no new investment and knows no cost of supersedure, but continues to blow with the same old blather.

AGAINST GOVERNMENT OWNERSHIP

This railway problem is so big and so important that I feel the inadequacy of my words to portray it. We do not want government ownership, though that is the logical drift. I am opposed to it because it is contrary to the spirit of our institutions and violates the very conception of the rights and duties of government and citizenship which has given us an individual accomplishment which the world can nowhere match. It would stifle our further development and take from individuals the impelling purpose to accomplish and achieve. We might as well adopt paralyzing socialism, and fling aside, once and for all, the sur-

passing American accomplishment which has been the pride of our own people and the admiration of the world.

Does any one believe that government ownership would have pushed the railway along the sands, and connected up the Florida Keys with arched concrete and bonds of steel, which clipped twenty-four hours from the commercial time between Cuba and the United States, and set fairy-land abloom for three hundred miles en route? Does any one believe that federal ownership would have threaded the plains and pierced the Rockies as individual enterprise has opened the way from coast to coast, and touched the desert as well as the valley and mine with man's developing hand?

I shall be fearful of government ownership until France and Germany have given real proof of government efficiency and economy in railway management, and our own government has given some assurance that it may carry on any business with the economy which characterizes every well-managed, individual enterprise. Nay, more, I shall doubt all wisdom of government control until we have acceptable proof that the government can fairly regulate through its commissions, when real railroad men are making the tremendous struggle to conserve their properties and serve the public with these vastly important agencies.

REGULATION EVOLVING

Perhaps the lack of successful regulation is due to the newness of the undertaking, to the unavoidable political

agitation and to the harassment of conflicting authority because of varied state legislation and state commissions. Our American railroad enterprises are so vast that it has seemed to me that none is longer small enough to be encompassed by intrastate lines, and we ought to put the entire service under interstate control. Such a policy would save millions in public expense and put us on a broad plane which is befitting the gigantic character of American railway operation. We should then escape the excess of state legislation. I speak deliberately—the law-making industry is too often worked overtime. It is the only industry in the country that is going 100 per cent. This country needs to-day less legislative bills pending and more railroad bills of lading.

Having started with the explanation that I have no railway connection, and having had no experience in recent legislative endeavor, I am not supposed to point the way to specific correction. I have been reporting the impressions of a layman, who has no ax to grind, no stock to enhance, and yet belongs to the ranks of those who pay the freight.

FOR ADVANCE IN RATES

It is apparent that the Interstate Commerce Commission believes in the pressing necessity for increased earnings for our railroads. The suggestions of increased passenger rates, baggage charges and other collections for service not charged for heretofore, indicate the controlling body favors increased earnings but opposes the short and direct route. The rate increase would be direct and immediate,

and these other remedial efforts could be left to follow by this slower process of evolved adoption. If the combined income from increased rates and added service charges made excessive earnings contrary to public policy, the same authority which grants the increase could order a reduction.

The simple public mind, unbiased in the matter, thinking only of fairness and the common good, favors the increase and does not expect a later reduction. We have seen the advance of wages. We know of mounting taxes. We can understand all about more costly equipment. Having come to pay more for our food, we only wonder that we have not been charged more for its transportation. Knowing the increased cost of operation in every other industrial and commercial enterprise, we have wondered how any one could escape added cost in the chief agency of exchange and distribution.

SHOULD ADVANCE FREIGHTS

Our American wage scale is twice to thrice that of Europe. Our rates of interest are generally higher. Our distances are greater and our population less dense. Under all these conditions it would be very natural for our railway transportation to be higher. Our freight rates are notably less, and our passenger service only a trifle higher, and it is vastly superior. When classification is taken into account, I believe ours is the cheaper. And yet on this very branch of business which costs the more in this country, the railway commission recommends the increase which it is power-

less to grant. If argument were needed for the general advance, the commission has presented it.

I hope it will speedily come. It will not bring the complete revival of American activity, but it will not only save the crash of the temple of transportation, but will reestablish railway credit, and lead to that physical rehabilitation which is of prime importance in ministering to greater American activities. More, and very significant too, the governmental assistance in the hour of need will be new assurance that it is neither the function nor the purpose of government to destroy, but to foster and protect, and American business success, lawfully achieved, is to be encouraged and heralded as important to American progress.

PEOPLE OWN THE RAILROADS

Perhaps a considerable part of political play in hostility to our railroads is due to the mistaken impression that they are the property of a few of the enormously rich. If this were true it would not alter the demand for just treatment, for the civilization which ignores property rights will quickly trespass human rights. As a matter of fact, however, our railroads are largely the property of those we term the people, and their securities are in the assets of savings banks, life insurance companies, hospital and college funds, and the foundation of thousands of sacred trusts. The directing heads of these lines and systems are not the scions of wealth, nor the creatures of privilege; they are the finest examples of the reward of merit

which we have developed in the boasted opportunities of American life. When the moneyless American youth may climb from the humblest rank of railroading to the direction of the energies of hundreds of millions of capital and many thousands of men, through sheer force of ability and conscientious service, fine examples of which are gracing this presence to-night, the system can not be far wrong. It is our inspiration to developing youth and assurance doubly sure that ours is the civilization of opportunity. In every city throughout the land is some allied industry, and at the head of these are the worthy captains of American endeavor, who have grown up from village or farm, and toiling with them, when the tide runs full, is a thrifty, well-compensated, prospering people, rejoicing in American triumphs and eager to go on.

HONESTY AND INTIMACY

There are two things to commend to the public, to railway managers and to members of the Railway Business

Association. One is simple honesty, the other is greater intimacy—the fullness of understanding between the railway management and the public served. There has been too much aloofness, sometimes a contempt for public regard. The minds which lead in making dependable public opinion mean to be fair, and need only to be informed. Railways have suffered needlessly because of the lack of public understanding. The public has an ear for the manager as well as the railway baiters, and the growth of favorable public opinion to-day is traceable to the fact that railways have given their cause to public consideration. The importance of railway service to the people, the public character of the business, and public regulation—all demand intimacy of understanding and mutual confidence. Add to this the unalterable honesty that is essential to right management and the abiding honesty that makes for sincerity in politics, and we shall hail a new era, which shall mark a greater and swifter stride to our American astonishment of all the world.

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